



MANY service members, retirees and their families are in firm contention for championship status in the "Debt Olympics," having amassed burdensome obligations and defaults on their credit payments. The evidence can be found in their frequent visits to legal-assistance offices to get relief from unmanageable bills that adversely impact family harmony, credit standings, security clearances, job performance and military career potential.

America has the highest level of educated citizens in its history, yet many people appear helpless in handling their personal financial affairs, and a growing number of them are filing for bankruptcy each year. As for the military community, it's all too frequently represented in the statistics, since it's a reflection of our civilian society.

Who's to Blame?

Opinions on the causes of increasing debt and default on payments vary nearly as much as the number

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Get Off the Debt Wagon

of sources that can be quoted. Alleged causes range from the deregulation of the credit industry, resulting in loosening of underwriting standards, to remarks that more laws are needed to protect citizens from banks and moneylenders.

Reading these arguments, the private debtor is often tempted to complain, "It's not my fault, I shouldn't have been granted credit in the first place." It's a defense people are using more frequently to avoid personal responsibility.

Credit cards are but one aspect of debt, yet they epitomize current consumer behavior. The National Law Center recently reported that 75 percent of U.S. households have at least one credit card debt from month to month. Yet it's no wonder that consumers are "addicted" to credit, since lenders have issued more than 1 billion cards, a number equivalent to sending a dozen credit cards to each household in the country.

"Dollar debt" continued to escalate in 2001, with no letup in sight. In 1997, the dollar value of outstanding loans was \$442 billion. This figure is twice the dollar amount of 1993, just four years earlier. Zeroing in on 1997 alone, the credit industry mailed 3 billion solicitations, or about 41 per household. The number increased in 2000 to 3.3 billion solicitations.



Debt is a Military Problem

Overall, one family in nine spends more than 40 percent of its income on debt service. At income levels below \$25,000, this number rises to one in six. Since many military personnel fall within this lower-income group, such debt is of increasing concern in the Army. But families in higher income brackets are not immune and also fall prey to extensive debt obligations.

Commanders and legal assistance attorneys once believed that junior soldiers would not get credit-card solicitations, or that their credit would not be approved. That assumption was clearly incorrect, as military families are being provided credit cards from multiple sources that, when used together, add up to thousands of credit dollars. Even people who have declared bankruptcy

often receive new credit cards, and they proceed to use them without hesitation.

The government has attempted to protect consumers by legislating a variety of federal and local laws concerning fair credit billing, credit collection and even credit reporting. But these laws cannot legislate consumer self-restraint or common sense in credit and debt creation.

Clients are experiencing severe stress, family disputes and economic distress that cannot be cured by commanders and attorneys, since 99 percent of the debts are legally binding and were incurred without any fraud on the part of the lender or seller. Furthermore, most soldiers have done too little, too late, having sought help — through free budget counseling by organizations such as the Army Community Services — only after they are unable to meet their debt payments and are faced with bad credit ratings, judicial judgments, property repossession or foreclosures.

Avoiding the Debt Trap

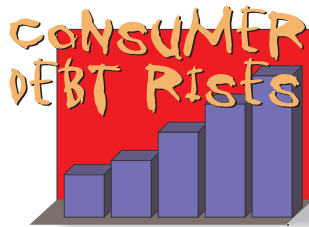
Consumers could avoid this modern-day economic disaster by asking themselves several questions before incurring additional debt:

- 💰 Can I afford it?
- 💰 Can I do without this purchase for this year or until I can handle the debt?
- 💰 Will I be able to cover all of my debts a few months from now?
- 💰 What changes will the total debts demand of my lifestyle?
- 💰 Can I buy a cheaper item that will provide me what I truly need?
- 💰 What will the item's total cost be if I can't make payments on time?
- 💰 What money have I set aside for unforeseen needs?
- 💰 Will this debt mean taking a second job to make the payments?
- 💰 What impact will debts have on my job and the performance of my military duties?

In a sense, it's too bad that credit cards don't immediately remove funds from your wallet at the sales register. Rather, they create a false belief that you

don't have to worry about the debt — that it will somehow be taken care of in the future. If consumers treated each transaction from the perspective of "Do I have the money in my wallet to pay for the purchase?" then self-restraint might follow.

Credit pitfalls include the low interest rates that are offered to attract consumers but then escalate after an introductory period and climb even more dramatically as a result of late payments.



Coming Congressional Action?

Many believe that all will be well if they file for bankruptcy — and military and civilian families are filing for bankruptcy in record numbers, to the point that federal legislation may soon tighten bankruptcy requirements.

Congressional changes seek to establish a new "means" test, so that if the debtor can cover at least 25 percent of the obligations over five years, he or she will have to enter a court-supervised repayment plan instead of being allowed to erase all debts immediately.

While politicians and lobbyists continue to argue what final form bankruptcy legislation should take, the unsolicited, "pre-approved" credit card offers keep showing up at the consumer's door.

What You Can Do

Your best defense against this assault is to simply cut up and throw away these offers, and to stop future solicitations by making phone calls to each of the organizations that monitor credit usage: Equifax at (888) 567-8688, Experian at (800) 353-0809 and Trans Union at (800) 680-7293.

And perhaps your best defense against misusing and possibly losing the credit privileges you have is to turn one of those old credit card slogans around and "just leave home without it."

